

A More Robust Economy through
a Healthier Population

Canadian Medical Association:
2012-2013 pre-budget submission

November 1, 2012



A healthy population and a vibrant medical profession
Une population en santé et une profession médicale
dynamique

The Canadian Medical Association (CMA) is the national voice of Canadian physicians. Founded in 1867, CMA's mission is to serve and unite the physicians of Canada and be the national advocate, in partnership with the people of Canada, for the highest standards of health and health care.

On behalf of its more than 76,000 members and the Canadian public, CMA performs a wide variety of functions. Key functions include advocating for health promotion and disease/injury prevention policies and strategies, advocating for access to quality health care, facilitating change within the medical profession, and providing leadership and guidance to physicians to help them influence, manage and adapt to changes in health care delivery.

The CMA is a voluntary professional organization representing the majority of Canada's physicians and comprising 12 provincial and territorial divisions and 51 national medical organizations.



Executive Summary

The Canadian Medical Association (CMA) submission to the House of Commons Standing Committee on Finance discusses the important role of the federal government in ensuring Canada's health care system is cost-effective, accountable and accessible across the country in order to support the country's economic advantage. Investing in health and health care is required to generate wealth. As in other leading industrialized countries, the federal government needs to play a stewardship role in the effective allocation of health-related resources to foster a productive workforce and a strong economy.

The purpose of this brief is to provide decision-makers with information on areas in which the federal government can contribute to improving the health of Canadians and the health care system – an issue Canadians consistently rank as their top concern.

The CMA recommends that:

Recommendation # 1

The federal government endorse the *Principles to Guide Health Care Transformation*, developed by the CMA together with the Canadian Nurses Association and since endorsed by over 120 national organizations.

Recommendation #2

The federal government engage the provinces and territories in a consultative process to identify pan-Canadian metrics and measurement that link health expenditures to nationally comparable health outcomes. The purpose of which is to demonstrate accountability to Canadians.

Recommendation # 3

The federal government recognize the implications of the social determinants of health on the demands on the health care system.

Recommendation # 4

The federal government require that the federal cabinet's decision-making process include a Health Impact Assessment.

Recommendation # 5

The federal government, in consultation with provincial and territorial governments and other stakeholders, establish a program of comprehensive prescription drug coverage to be administered through provincial/territorial and private prescription drug plans to ensure that all Canadians have access to medically necessary drugs.

Recommendation # 6

The federal government, together with the provinces and territories, develop and implement a pan-Canadian strategy for continuing care, which would integrate home care and facility-based long-term, respite and palliative care services fully within health care systems.

Recommendation # 7

A targeted health infrastructure fund be established as part of the federal government's long-term plan for public infrastructure. The purpose of this fund would be to address infrastructure shortages in the health sector that prevent the optimization of health human resources and exacerbate wait times.

Recommendation # 8

The federal government expand the relief programs for informal caregivers to provide guaranteed access to respite services for people dealing with emergency situations, as well as increase the Family Caregiver Tax Credit to better reflect the annual cost of family caregivers' time at market rates.

Recommendation # 9

The federal government establish programs to encourage Canadians to save for their long-term care needs by pre-funding long-term care through for example, private insurance, tax-deferred and tax-prepaid savings approaches, and contribution-based social insurance, such as an RESP-type savings vehicle.

Recommendation # 10

The federal government develop and implement a national dementia strategy. Such a strategy will contribute to addressing the alternative level of care crisis impacting the efficiency of the overall health care system.

Introduction

Despite significant investments in health care and improvements in medical treatment and technologies, health outcomes in Canada are not improving. The incidence of chronic disease, such as diabetes and the corresponding risk factors, among them obesity, continues to rise. These negative outcomes can have a significant impact on the prosperity of the country as health is necessary for individuals to lead a prosperous and autonomous life. While the federal government's investment in the sector has continually increased, it is generally agreed that, in terms of its health care system, Canada is no longer a strong performer compared to similar nations.

As in other leading industrialized countries, the Government of Canada needs to play a stewardship role in the effective allocation of health-related resources, which in turn will foster a productive workforce and a strong economy. The federal government also has a role in addressing the social and economic factors that affect the health of Canadians. These factors are often referred to as the social determinants of health and were a central theme at the CMA's annual General Council meeting this year.

This brief provides tangible recommendations on how the federal government can contribute to the transformation of Canada's health care system and to improving the health of Canadians.

1. The Role of the Federal Government

Issue: The federal government has the levers to foster a healthy, productive workforce.

This section discusses opportunities for the federal government to address the challenges facing Canada's overall health care system.

Even though the fiscal arrangement for the future Canada Health Transfers has been established, the federal government has other significant responsibilities with respect to the health of Canadians and the overall health care system.

This view is shared by a majority of Canadians. Recent polling found that: 75 per cent of Canadians believe health care should be the federal government's top priority; 87 per cent believe that the federal government should pay more attention to health care, and 85 per cent believe the federal government should play a leading role in protecting and strengthening the health care system.

An important role to be fulfilled by the federal government is to ensure Canada's health care system is cost-effective, accountable and accessible across the country. Health expenditures account for an increasing proportion of provincial and territorial budgets, and many warn of increasing future demands on health care. In his Economic and Fiscal Outlook Report of May 17, 2012, the Parliamentary Budget Officer stated that "the provincial-territorial long-term fiscal situation has deteriorated." Measures that transfer costs from one level of government to another do not improve Canada's overall fiscal situation.

Despite the importance of the health care sector to Canada's economy and quality of life, it is generally agreed that in health care, Canada is no longer a strong performer relative to similar nations. For instance, OECD Health Data 2012 ranks Canada seventh highest of 34 member states in per capita health care spending,¹ while Canada's health care system continues to rank below most of our comparator countries in terms of performance. In addition, recent projections indicate that the overall spending on health as a percentage of GDP will continue to increase.²

However, the health sector has an important role in sustaining Canada's economic recovery and enhancing economic growth. In fact, the health sector supports a healthy and productive workforce by providing over one million high-value jobs, representing about 10 per cent of Canada's labour force. The contribution of Canada's health care system to the international competitiveness of our economy has been repeatedly demonstrated in KPMG's Competitive Alternatives report.³

Taken together, these issues highlight significant potential for the health sector, through efficiency improvements gained by health care transformation, to support long-term economic recovery and growth in Canada.

Finally, while the provinces and territories have initiated positive steps to collaborate on the sharing of best practices in health care, federal leadership could contribute to these efforts by addressing the overall performance of the health care system in Canada.

The federal government should collaborate with the provinces and territories to introduce a pan-Canadian framework for reporting to Canadians on performance, outcomes and expenditures, including on whether national standards of quality and timeliness have been met.

The federal government would also fall under this framework, as it is responsible for the delivery of health care services to a large population. In fact, in health care delivery, it is the fifth-largest jurisdiction in Canada.

¹ OECD Health Data 2012 - <http://www.oecd.org/health/healthgrowthinhealthspendinggrindstoahalt.htm>

² CD Howe Commentary *Chronic healthcare spending disease: a macro diagnosis and prognosis* and Livio Di Matteo and ROSANNA DI MATTEO, *The Fiscal Sustainability of Canadian Publicly Funded Healthcare Systems and the Policy Response to the Fiscal Gap* CHSRF series of reports on financing models: Paper 5, January 2012. http://www.chsrf.ca/Libraries/Commissioned_Research_Reports/Dimatteo-Fiscal-E.sflb.ashx

³ KPMG. *Competitive Alternatives: KPMG's Guide to International Business Location Costs*. 2012 edition

The CMA recommends that:

- The federal government engage the provinces and territories in a consultative process to identify pan-Canadian metrics and measurement that link health expenditures to nationally comparable health outcomes. The purpose of which is to demonstrate accountability to Canadians.

2. The need for a Health Impact Assessment (HIA)

Issue: All federal government decisions need to be viewed through the lens of their possible impact on health, health care and Canada's overall health objectives.

While a strong health care system is vital, improvements to it alone will not improve health outcomes or reduce the disparities that currently exist in disease burden and health risks. Research suggests that 50 per cent of population health is determined by our social and economic environment.⁴ What is needed is a process to address the social determinants that can be barriers or enablers to health and to ensure healthy public policy for all Canadians.

A Health Impact Assessment (HIA) is a systematic process for making evidence-based judgments on the health impacts of any given policy and to identify and recommend strategies to protect and promote health. The HIA is used in several countries, including Australia, New Zealand, Norway, the Netherlands and the United States.

The HIA can ensure that all government departments are able to consider the health impacts of their programs and policies by anticipating possible unintended health consequences or impacts on health care spending. The implementation of an evidence-based HIA is one way in which the federal government can play a leadership role in health care and strengthen accountability to Canadians.

The CMA recommends that:

- The federal government recognize the implications of the social determinants of health on the demands on the health care system; and that,
- The federal government require that the federal cabinet's decision-making process include a Health Impact Assessment to ensure that the health of Canadians is a key factor in every policy decision it makes and unintended consequences are avoided.

⁴ The Standing Senate Committee on Social Affairs, Science and Technology Final Report of Senate Subcommittee on Population Health. June 2009.

3. Contribute to Health Care Transformation (HCT)

Issue: A transformed health care system will be more effective and comprehensive and will strengthen Canada's competitive advantage.

In 2010, as part of its Health Care Transformation (HCT) initiative, the CMA broadly consulted Canadians across the country on their views on health care. Canadians said they do not believe they are getting good value from their health care system, a feeling borne out by studies comparing Canada's health care system to those in leading countries in Europe. Following this consultation, in partnership with the Canadian Nurses Association, the CMA developed *Principles to Guide Health Care Transformation in Canada* to guide the transformation of Canada's health care system. To date, over 120 national medical, health and organizations have endorsed these principles.

During the HCT consultation, we also heard that Canadians are concerned about inequities in access to care beyond the basic medicare basket, particularly in the area of prescription drugs. In fact, reports in 2002 by the Senate Standing Committee on Social Affairs, Science and Technology (Kirby) and the Commission on the Future of Health Care in Canada (Romanow) forged a consensus on the need for "catastrophic" pharmaceutical coverage, which may be defined as out-of-pocket prescription drug expenditures that exceed a certain threshold of household income.

Under the National Pharmaceuticals Strategy (NPS), cost projections of catastrophic pharmaceutical coverage were explored and seemed to favour the use of a variable percentage threshold linked to income. However, there has been no public reporting on progress since 2006.⁵ Moreover, there is also an issue of expensive drugs that may be used for common diseases. Finally, as highlighted by recent experiences, Canada does not have a monitoring and early notification system for drug shortages nor a systematic mechanism to prevent interruptions in the provision of medically necessary medications.

Thus far, the term "catastrophic" has been used by First Ministers and the NPS to describe their vision of national pharmaceutical coverage. As defined by the World Health Organization, catastrophic expenditure reflects a level of out-of-pocket health expenditures so high that households have to cut down on necessities such as food and clothing and items related to children's education.⁶ In the CMA's view, this does not go far enough and what Canada must strive for is "comprehensive" coverage that covers the whole population and effectively pools risk across individuals, public and private plans, and jurisdictions.

There are several indicators that show health care services and coverage are not keeping up with Canadians' needs and vary depending on where one lives in Canada. Wide variation in access to pharmaceutical treatments remains the most glaring example of inequity in our

⁵ Federal/Provincial/Territorial Ministerial Task Force on the National Pharmaceutical Strategy Progress Report. June 2006. http://www.hc-sc.gc.ca/hcs-sss/alt_formats/hpb-dgps/pdf/pubs/2006-nps-snpp/2006-nps-snpp-eng.pdf. Accessed 08-05-08.

⁶ Xu K, Evans D, Carrin G, Aguillar-Riviera A. Designing health financing systems to reduce catastrophic health expenditure. Geneva: World Health Organization, 2005.

health care system – all Canadians should have a basic level of drug coverage. Further, long wait times for medical care can be found in smaller provinces and drug coverage and services for seniors are particularly poor in Atlantic Canada.

The fact remains that one in 10 Canadians cannot afford the medications they are prescribed.⁷ For this reason, ensuring access by all Canadians to needed prescription drugs is an essential element in the CMA's proposed framework for Health Care Transformation.

By working to establish comprehensive prescription coverage, the federal government would not only uphold its commitment to ensure the best health for Canadians, but also contribute to the transformation of our country's most cherished social program.

The CMA recommends that:

- The federal government endorse the *Principles to Guide Health Care Transformation*, developed by the CMA together with the Canadian Nurses Association and since endorsed by over 120 organizations.
- The federal government, in consultation with provincial, territorial and other stakeholders, establish a program of comprehensive prescription drug coverage to be administered through provincial/territorial and private prescription drug plans to ensure that all Canadians have access to medically necessary drugs.

4. Meeting the health and health care needs of Canadians

Issue: Measures should be taken to prepare for the looming demographic change and address the needs of Canada's aging population

Steps need to be taken to ensure that Canada is prepared to handle the growing long-term care needs of its citizens. These should include funding for much-needed infrastructure and additional support for both health care providers and informal caregivers.

In its most recent report, the Wait Time Alliance noted a link between the rise in diagnosis of dementia and the rise in alternate-levels-of-care (ALC) patient stays in hospitals. These are patients who are in hospital while they await an alternative level of care in a more appropriate setting, often a long-term facility. The shortage of long-term care facilities is a major impediment to achieving efficiency in the health care system and yet another issue for which the federal government is well positioned to collaborate and coordinate on a pan-Canadian strategy.

⁷ Law MR, Cheng L, Dhalla IA et al. The effect of cost on adherence to prescription medications in Canada. *CMAJ* February 21, 2012 vol. 184 no. 3

Under its next long-term infrastructure program, the federal government should include a targeted health sector infrastructure fund for long-term care facilities. This should be part of a pan-Canadian strategy to redirect care from hospitals to homes, communities and long-term care facilities, where patients can receive more appropriate care at a lower cost.

We can expect that many more facilities will be required to meet the long-term care needs of Canadians. The most recent census data shows that over the last decade there has been a 38 per cent increase in the number of seniors living in special care facilities.⁸ Based on residency rates of the present population, Canada will need over 800,000 long-term care beds by 2047.

Considering the average size of existing long-term care facilities it is estimated that meeting this future demand will require construction of almost 6,000 additional long-term care facilities over the next 35 years, almost 170 a year.⁹

Another related issue that has the potential to affect productivity is the burden of providing care to family members. Without adequate long-term care resources and support for home care, Canada's labour force may experience a productivity drag as a result of increased leave and absenteeism to care for elderly relatives.

The 2011 federal budget took a first step at providing tax relief for informal caregivers with the introduction of the Family Caregiver Tax Credit. However, this credit of up to \$300 a year by no means provides sufficient support for informal caregivers. A 2004 Canadian study estimated that the annual cost of a caregiver's time at market rates for moderately to severely disabled home care clients ranged from \$5,221 to \$13,374, depending on the community in which they reside.¹⁰ Expanding the Family Caregiver Tax Credit would help, but the CMA believes that additional support for informal caregivers will also be needed in the coming years.

Also, according to a 2012 World Health Organization (WHO) report on dementia,¹¹ Canada is one of the few members of the G7 without a national strategy on dementia. There is a lack of awareness and understanding of dementia, which results in stigmatization and barriers to diagnosis and care, and has an impact on caregivers, families and societies - physically, psychologically and economically. Canada's aging population, and the projected rise in Alzheimer's disease and related dementias, pose an emerging health crisis that require federal leadership.

⁸ Statistics Canada. September 19, 2012. Living arrangements of seniors: Families, households and marital status Structural type of dwelling and collectives, 2011 Census of Population.

⁹ According to the Canadian Healthcare Association (New Directions for Facility-Based Long-Term care), in 2007 there were 2,577 long-term care facilities in Canada and 217,969 beds. We used the average number of beds per facility to calculate the number of facilities required to meet expected future demand.

¹⁰ Chappell, N.L., B.H. Dlott, M.J. Hollander, J.A. Miller and C. McWilliam. 2004. "Comparative Costs of Home Care and Residential Care." *The Gerontologist* 44(3): 389-400

¹¹ http://www.who.int/mental_health/publications/dementia_report_2012/en/

The CMA recommends that:

- The federal government, in partnership with the provinces and territories, develop and implement an integrated, pan-Canadian strategy for continuing care, which would integrate home care and facility-based long-term, respite and palliative care services fully within health care systems. Such a strategy would help prepare for the looming demographic change and the address the needs of Canada’s aging population.
- A targeted health infrastructure fund be established as part of the federal government’s next long-term plan for public infrastructure. The purpose of this fund would be to support communities across Canada in addressing infrastructure shortages in the health sector that prevent the optimization of health human resources and exacerbate wait times.
- The federal government expand the relief programs for informal caregivers to provide guaranteed access to respite services for people dealing with emergency situations, as well as increase the Family Caregiver Tax Credit to better reflect the annual cost of family caregivers’ time at market rates.
- The federal government establish programs to encourage Canadians to save for their long-term care needs by pre-funding long-term care through for example, private insurance, tax-deferred and tax-prepaid savings approaches, and contribution-based social insurance, such as an RESP-type savings vehicle.
- The federal government develop and implement a national dementia strategy. Such a strategy will contribute to addressing the alternative level of care crisis impacting the efficiency of the overall health care system.